

**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA**

In the Matter of

ALLIANZ LIFE INSURANCE  
COMPANY OF NORTH AMERICA

Respondent.

File No. VA 1152-AP

OAH No. N2007020683

DECISION AND ORDER OF INSURANCE  
COMMISSIONER UPON SETTLEMENT

On December 6, 2006, the California Department of Insurance ("Department") issued a "First Amended Order to Show Cause/Accusation and Notice of Hearing" (the "OSC"), alleging Respondent's violation of Article 6.3 of Chapter 1, Part 2, Division 1 of the California Insurance Code; among other specified violations of said Code. Respondent has denied all of the allegations of the OSC and has not admitted liability, wrongdoing or any violation of law.

The Department and Respondent believe that it is in the public interest to resolve the matters addressed in the OSC by settlement, without the need for a formal administrative hearing.

Respondent and the Department have executed the Stipulation and Waiver attached hereto; which is incorporated by reference herein.

The terms of the Stipulation and Waiver and the provisions of Section 12921(b)(1) of the Insurance Code require the Insurance Commissioner to approve the settlement of this matter.

This Decision and Order constitutes the approval of the Insurance Commissioner of the settlement of this matter upon the terms and conditions set forth in the Stipulation and Waiver.

**ORDER**

The Insurance Commissioner hereby approves the settlement of this matter upon the terms set forth in the Stipulation and Waiver attached hereto.

Respondent is hereby ordered to fulfill each and every term and obligation set forth in the Stipulation and Waiver, at the time and in the manner set forth therein.

Respondent shall pay the sum of \$3,000,000.00 (Three Million Dollars) to the Department as a monetary penalty.

Respondent shall pay \$300,000.00 (Three Hundred Thousand Dollars) in attorneys' fees and costs to reimburse the Department for its expenses.

Respondent shall make a \$3,750,000.00 (Three Million Seven Hundred Fifty Thousand Dollars) contribution over five years (\$750,000.00 per year) to the Life and Annuity Consumer Protection Fund special account within the California Insurance Fund (0217), provided however, that if Insurance Code section 10127.17 is repealed by operation of law with a payment or payments remaining due, any such remaining payments shall be allocated to the Insurance Fund and shall be used in accordance with Insurance Code section 1872.7.

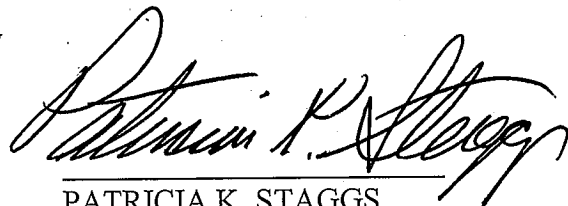
Respondent shall make a \$3,000,000.00 (Three Million Dollars) "High Impact" investment in the California Organized Investment Network.

Payment of the monetary penalty, attorneys' fees and costs, and contributions to the Life and Annuity Consumer Protection Fund will be made within 30 days of the issuance of an invoice by the Department to Respondent, and payment shall be mailed to California Department of Insurance, Division of Accounting, 300 Capital Mall, 13<sup>th</sup> Floor, Sacramento, CA 95814.

13<sup>th</sup> IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this day of February, 2008.

STEVE POIZNER  
Insurance Commissioner

By



PATRICIA K. STAGGS  
Deputy General Counsel

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4 **BEFORE THE INSURANCE COMMISSIONER**  
5 **OF THE STATE OF CALIFORNIA**  
6

7 In the Matter of the Licenses and Licensing  
8 Rights of:

File No. VA 1152-AP

OAH No. N2007020683

9 ALLIANZ LIFE INSURANCE  
10 COMPANY OF NORTH AMERICA

STIPULATION AND WAIVER

11 Respondent.

12 Respondent ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA  
13 ("Allianz Life") and the California Department of Insurance ("Department") stipulate as  
14 follows:

15 WHEREAS, Allianz Life currently is, and at all times relevant hereto was, the holder of  
16 a Certificate of Authority to transact the classes of life and disability insurance in the State of  
17 California, which includes annuities as defined in section 101 of the California Insurance Code,  
18 and was conducting insurance business in California at the time of the violations alleged in this  
19 proceeding; and,

20 WHEREAS, on December 6, 2006, the Department issued a "First Amended Order to  
21 Show Cause/Accusation and Notice of Hearing" (the "OSC") under file number VA 1152-AP,  
22 which was assigned the file number OAH No. N2007020683 by the California Office of  
23 Administrative Hearings, alleging violations of Article 6.3 of Chapter 1, Part 2, Division 1, of  
24 the California Insurance Code and Insurance Code sections 780, 781, 790.03(a) and (b), and  
25 10509; and

26 WHEREAS, Allianz Life has denied the allegations of the OSC, but acknowledges that  
27 those allegations, if proven to be true, may constitute grounds for the Commissioner to impose a  
28 civil penalty and issue an Order to Allianz Life regarding the alleged practices; and

1 WHEREAS, the Department and Allianz Life have discussed Allianz Life's need to  
2 comply with the provisions of the Insurance Code; and,

3 WHEREAS, Allianz Life has implemented various measures to ensure compliance with  
4 the Code; and,

5 WHEREAS, the Department and Allianz Life believe that it is in the public interest to  
6 resolve at this time without the need for a formal hearing or any further administrative action the  
7 matters raised by the Department in paragraphs 8-12, and 21 of the OSC; and

8 WHEREAS, the Department and Allianz Life believe that it is in the public interest to  
9 resolve the remaining issues raised in the OSC as well as additional issues regarding Allianz  
10 Life's annuity policy forms that have come to the Department's attention since the OSC issued;

11 THEREFORE, with respect to the matters stated herein, the Department and Allianz Life  
12 agree as follows:

13 1. This compromise settlement is not an admission of liability, wrongdoing or  
14 violation of law and no court, nor this agency, has made any factual findings or legal  
15 conclusions. Allianz Life has agreed to the terms herein to avoid an unnecessary hearing and in  
16 the interest of resolving the matter. Allianz Life waives its right to a hearing and any and all  
17 rights that it may be entitled to pursuant to Chapter 5, Part 1, Division 3, Title 2 of the California  
18 Government Code.

19 2. **DEFINITIONS**

20 For purposes of this Stipulation and Waiver the following terms are defined herein as  
21 follows:

22 A. "Annuity" shall mean any fixed interest or fixed index deferred annuity  
23 issued by Allianz Life with a deferral period of one (1) year or more.

24 B. "Applicant" shall mean any California resident who applies to purchase an  
25 Annuity.

26 C. "Income" shall mean the earned and investment income received by an  
27 Applicant and, if a member of the same household, the earned and investment income of the  
28 Applicant's spouse/partner. "Income" shall include, but is not limited to, salary and wages;

1 Social Security payments; payments from an individual retirement account and other similar  
2 retirement plans, including a pension, payments from annuities that have been annuitized,  
3 interest payments, rental income, and profits or losses from the sale of a business or asset.  
4 "Income" shall not include income currently earned on funds an Applicant intends to invest in  
5 an Annuity.

6 D. "Monthly Household Living Expenses" shall mean the expenses incurred by  
7 an Applicant and, if a member of the Applicant's household, the expenses of the Applicant's  
8 spouse/partner. "Monthly Household Living Expenses" shall include, but are not limited to,  
9 rent, mortgage, and other household maintenance costs, including utilities; insurance premiums;  
10 health care, medical and prescription drug costs, including deductibles and co-pays; nursing  
11 home and assisted living costs; taxes (including income, FICA and property taxes); debt  
12 repayment; support for dependents; food costs; travel; transportation costs; membership costs;  
13 charitable contributions and vacation and recreation costs.

14 E. "Household Disposable Income" shall mean monthly household Income  
15 minus Monthly Household Living Expenses.

16 F. "Household Liquid Assets" shall mean the value of assets owned by an  
17 Applicant and, if a member of the same household, the value of assets owned by the Applicant's  
18 spouse/partner, that could readily convert to cash without the imposition of fees or penalties.  
19 "Household Liquid Assets" shall include, but are not limited to, any amount in a checking,  
20 savings, or money market account; and amounts invested in stocks, bonds, mutual funds, or  
21 other investments that are easily converted to cash without the imposition of fees or penalties or  
22 deferred sales charges. "Household Liquid Assets" shall not include any amount that an  
23 Applicant may withdraw from the Annuity which is being applied for by the Applicant.  
24 "Household Liquid Assets" also shall not include personal belongings or other personal property  
25 of an Applicant or of an Applicant's spouse/partner if a member of the Applicant's household,  
26 including but not limited to, jewelry, furnishings or vehicles.

27 G. "Household Net Worth" shall mean the value of assets owned by an  
28 Applicant and, if a member of the same household, the value of assets owned by the Applicant's

1 spouse/partner (including premium for the Annuity to be purchased by an Applicant, but not  
2 including the value of the Applicant's primary residence) minus the total debt (not including  
3 mortgages or debt owed on the Applicant's primary residence or the Applicant's  
4 spouse/partner's primary residence if a member of the same household) of the Applicant, and if  
5 applicable the Applicant's spouse/partner. "Household Net Worth" does not include personal  
6 belongings or other personal property of an Applicant or an Applicant's spouse/partner if a  
7 member of the same household, including but not limited to, jewelry, furnishings or vehicles.

8 3. **ANNUITY SUITABILITY SYSTEMS, STANDARDS AND PROCEDURES**

9 A. Allianz Life shall not issue an Annuity unless it has reasonable grounds for  
10 believing that the Annuity is suitable for the Applicant based on the totality of the Applicant's  
11 circumstances.

12 B. Before determining whether an Annuity is suitable for a particular  
13 Applicant, Allianz Life shall require its agents to obtain from the Applicant all information  
14 reasonably necessary to analyze and determine suitability of the Annuity for the Applicant.  
15 Allianz Life shall require its agents to complete the financial inventory profile set forth in  
16 **Exhibit A** hereto, or compile the same financial information in a substantially similar written  
17 manner. The Applicant's financial information shall be maintained in the agent's files. In  
18 addition, Allianz Life shall continue to use, and require its agents to complete and submit, its  
19 Product Suitability Form as part of the application process. Allianz Life shall modify its Product  
20 Suitability Form to incorporate substantially similar language as set forth in **Exhibit B** hereto.

21 C. Allianz Life shall put all Annuity applications received from an Applicant  
22 through its computerized suitability system, standards and procedures to monitor and review  
23 Annuity sales ("Suitability System"). Applications identified by the Suitability System as being  
24 outside of specified thresholds, including those set forth in Subparagraphs F through H below,  
25 will be assessed for suitability through a heightened, elevated review process ("Elevated  
26 Review") in which the application is individually reviewed by designated Elevated Review staff.  
27 If an Annuity application is submitted to Elevated Review, Allianz Life will review the  
28 Applicant's financial information, as described in Subparagraph B above, as necessary to

1 determine the suitability of the Annuity purchase. The financial information obtained by Allianz  
2 Life in the Elevated Review process shall be maintained in Allianz Life's files. If during the  
3 Elevated Review process an agent fails to provide Allianz Life with the financial information  
4 requested, the application will be rejected.

5 D. Allianz Life shall not issue an Annuity that is subject to Elevated Review  
6 under the terms of this Stipulation and Waiver unless it determines and documents in its file  
7 specific, objective evidence that clearly establishes that the sale is suitable to the Applicant in  
8 light of his or her stated financial condition, needs and objectives. Allianz Life shall document  
9 its rationale for accepting, rejecting or modifying all applications submitted to Elevated Review,  
10 including any of the Applicant's financial information considered during the Elevated Review  
11 process.

12 E. Allianz Life shall enhance its existing Suitability System by including the  
13 suitability threshold tests set forth in Subparagraphs F through H below. If an application  
14 triggers one or more of the threshold tests of the Suitability System, then the application shall be  
15 submitted to Elevated Review. However, Allianz Life and its agents shall not consider an  
16 Annuity to be suitable for an Applicant solely because none of the thresholds set forth in  
17 Paragraphs G through I are triggered with respect to the particular Applicant.

18 F. Allianz Life shall submit to its Elevated Review process all applications  
19 from all Applicant's whose annual income is \$20,000 or less.

20 G. Allianz Life shall submit to Elevated Review all applications from  
21 Applicants less than sixty-five (65) years of age if, after purchasing the Annuity, the Applicant's  
22 Liquid Assets, when considered in relationship to the Applicant's annual Income, are as follows:

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Annual Income	Percentage of Income Required as Liquid Assets
≤ \$ 25,000	100%
\$ 25,000 - ≤ \$ 30,000	95%
\$ 30,000 - ≤ \$ 35,000	90%

\$ 35,000 - ≤ \$ 40,000	85%
\$ 40,000 - ≤ \$ 45,000	80%
\$ 45,000 - ≤ \$ 50,000	75%
\$ 50,000 - ≤ \$ 55,000	70%
\$ 55,000 - ≤ \$ 60,000	65%
\$ 60,000 - ≤ \$ 65,000	60%
\$ 65,000 - ≤ \$ 70,000	55%
\$ 70,000 - ≤ \$ 75,000	50%
\$ 75,000 - ≤ \$ 80,000	45%
\$ 80,000 - ≤ \$ 85,000	40%
\$ 85,000 - ≤ \$ 90,000	35%
\$ 90,000 - ≤ \$ 95,000	30%
\$ 95,000 - ≤ \$100,000	25%
\$100,000	0%

H. Allianz Life shall submit all applications from Applicants sixty-five (65) years of age or older to Elevated Review if any of the following exist:

- 1) Premium for the Annuity is more than 25% of the Applicant's Net Worth.
- 2) Premium for the Annuity is more than four times the Applicant's annual Income.
- 3) The value of all annuities owned by the Applicant, including the Annuity being purchased, is equal to or greater than 75% of the Applicant's Net Worth.
- 4) The Applicant's Liquid Assets are equal to or less than \$75,000 after the purchase of the Annuity.

I. Allianz Life shall submit all applications from Applicants seventy-five (75) years of age or older to Elevated Review if the Applicant is purchasing a replacement Annuity from Allianz Life and a surrender charge is incurred as a result of the replacement.



1 J. The dollar amounts referenced in Subparagraphs F and G shall increase on  
2 January 1, 2009, and each year thereafter, by three (3) percent.

3 K. Allianz Life shall contact by telephone all Applicants seventy-five years of  
4 age or older to confirm their understanding of the product purchased. In addition, Allianz Life  
5 shall contact by telephone all Applicants who indicate on the Product Suitability Form that they  
6 are currently residing in a nursing home or assisted living facility.

7 L. Allianz Life shall continue its already existing practice of not selling  
8 Annuities to Applicants who are using funds obtained through reverse mortgages to purchase the  
9 Annuities.

10 M. Allianz Life shall offer training to agents on the following: (a) replacing  
11 Annuity contracts; and (b) the use of the Financial Inventory form offered by Allianz Life for the  
12 collection of an Applicant's financial information.

13 4. Allianz Life shall fully implement Paragraph 3 of this Stipulation and Waiver by  
14 March 1, 2008. During the period between the execution of this Stipulation and Waiver and the  
15 date Allianz Life fully implements Paragraph 3 of this Stipulation and Waiver, Allianz Life  
16 shall: (a) commence offering agents the training listed in Subparagraph L of Paragraph 3; and  
17 (b) implement the procedure set forth in Subparagraph D of Paragraph 3 for applications that are  
18 submitted to Elevated Review.

19 5. For a period of the lesser of: (a) four (4) years or (b) until the Department has  
20 issued a final report following a market conduct examination of Allianz Life's annuity business  
21 (excluding claims processing), Allianz Life shall provide aggregated statistical information to  
22 the Department regarding the results of its suitability assessment process, including both the  
23 suitability assessment process to which all applications are subjected and the Elevated Review  
24 process, in a format to be agreed upon.

25 6. **REMEDATION**

26 A. For purposes of this Section 6, "Policyholder" shall mean the current or  
27 former owner of an Annuity identified by name in the OSC or his or her beneficiary, heirs and  
28 successors as designated by the Policyholder.

1           B.     In lieu of other administrative action, and in resolution of the Department's  
2     claims alleged in the OSC, Allianz Life shall provide restitution to each Policyholder in the  
3     following manner:

4                 1)     Each Policyholder shall be sent a written communication approved  
5     by the Department advising of the right to seek rescission or other specified restitution if the  
6     Policyholder was misled in making the transaction or believes the transaction was unsuitable.  
7     The written communication shall be sent by first class mail and shall include: (a) a claim form  
8     approved by the Department, which shall include a box that may be checked to indicate the  
9     Policyholder is not interested in rescission, and (b) a self-addressed stamped envelope for return  
10    of the claim form. If the return rate from the first written communication is less than thirty-five  
11    (35) percent, Allianz Life shall re-send the written communication by FedEx to all Policyholders  
12    who did not respond.

13                2)     Allianz Life shall fund an independent claim review assistant  
14    approved by the Department and Allianz Life who shall be available to communicate with any  
15    Policyholder regarding the claim process for seeking rescission or other restitution and may  
16    assist in the submission of a claim.

17                3)     Allianz Life shall provide rescission or other specified restitution to  
18    each Policyholder who requests it unless Allianz Life believes that there is insufficient evidence  
19    that the transaction involved a misrepresentation or was unsuitable. Allianz Life shall not make  
20    unreasonable requests for documents from the Policyholder and shall not require the  
21    Policyholder to provide documents that are in Allianz Life's possession.

22                4)     If Allianz Life determines that there is insufficient evidence that the  
23    transaction involved a misrepresentation or was unsuitable, an independent third party approved  
24    by the Department and Allianz Life shall review the claim and make a final binding decision as  
25    to whether rescission or other specified restitution should be granted. The claimant, Allianz Life  
26    and the Department shall be permitted to submit supporting evidence and written argument to  
27    the independent reviewing party.  
28

1                   5)     Where rescission is granted, Allianz Life shall refund the premium,  
2     any surrender charge paid, and interest at three (3) percent per annum, or, where the  
3     Policyholder replaced an annuity that paid a higher rate of interest, interest at a rate that matches  
4     the interest paid in the replaced annuity. If the Policyholder is deceased, restitution shall be  
5     provided to the heirs or successors designated by the Policyholder. Allianz Life will cooperate  
6     with Policyholders who are rescinding annuities that are individual retirement accounts in  
7     allowing them to roll the subject funds into other individual retirement accounts if the  
8     Policyholder so requests.

9                   6)     Timelines will be agreed to by the Department and Allianz Life.

10                C.     As a condition of accepting an offer of rescission made pursuant to this  
11     Stipulation and Waiver, a Policyholder shall execute a Release of Liability in the form attached  
12     hereto as **Exhibit C**. Neither the Release of Liability nor any provisions of this Stipulation and  
13     Waiver nor the Commissioner's Decision and Order shall in any way affect, impair or impede a  
14     Policyholder who accepts an offer of rescission made pursuant to this Stipulation and Waiver  
15     from pursuing any rights the Policyholder has or may have in certified or putative class action  
16     lawsuits against Allianz Life, including but not limited to:

17                               *Negrete v. Allianz* (C.D. Cal.);

18                               *Healey v. Allianz* (C.D. Cal.);

19                               *Castello v. Allianz* (Hennepin County District Court);

20                               *Mooney v. Allianz* (District of Minnesota);

21                               *Iorio v. Asset Marketing Systems Inc. et al.* (S.D. Cal.); and

22                               *Jones v. Allianz* (E.D. Ark.)

23  
24                7.     **MONETARY PENALTY**: Allianz Life shall pay the sum of \$3,000,000.00  
25     (Three Million Dollars) to the Department as a monetary penalty and pay \$300,000.00 (Three  
26     Hundred Thousand Dollars) in attorneys' fees and costs to reimburse the Department for its  
27     expenses. Payment of the monetary penalty and attorneys' fees and costs will be made within  
28     30 days of the issuance of an invoice by the Department to Allianz Life, and payment shall be

1 mailed to California Department of Insurance, Division of Accounting, 300 Capital Mall, 13<sup>th</sup>  
2 Floor, Sacramento, CA 95814.

3 8. **CONSUMER PROTECTION FUND:** Allianz Life shall make a \$3,750,000.00  
4 (Three Million Seven Hundred Fifty Thousand Dollars) contribution over five years  
5 (\$750,000.00 per year) to the Life and Annuity Consumer Protection Fund, provided however,  
6 that if Insurance Code section 10127.17 is repealed by operation of law with a payment or  
7 payments remaining owing, any remaining payments due shall be allocated to the Insurance  
8 Fund and shall be used in accordance with Insurance Code section 1872.7. Payment of each  
9 contribution will be made within 30 days of the issuance of an invoice by the Department to  
10 Allianz Life, and payment shall be mailed to California Department of Insurance, Division of  
11 Accounting, 300 Capital Mall, 13<sup>th</sup> Floor, Sacramento, CA 95814.

12 9. **INVESTMENT IN COIN:** Allianz Life shall make a \$3,000,000.00 (Three  
13 Million Dollars) "High Impact" investment in the California Organized Investment Network.

14 10. **PRODUCT REVISIONS:** Allianz Life shall dedicate staff to review and revise  
15 written product materials in conjunction with a team from the Department to address the  
16 concerns listed in the First Amended OSC at paragraphs 13-20, 22, and 24 as well as other  
17 concerns that the Department has identified to Allianz Life regarding the policy forms and  
18 product documents that were reviewed in the course of the market conduct exam. Allianz Life  
19 will review its Annuity policy forms and amend them as necessary so that: a) definitions of  
20 words that would not normally be understood by the average consumer are located either in a  
21 "Definitions" section or immediately before or after the terms are used in the Annuity; and  
22 b) they include a section that explains the effect of fully or partially surrendering the policy,  
23 including the impact of any surrender or other charges or fees. Allianz Life acknowledges that  
24 in the event that Allianz Life and the Department are unable to resolve the Department's  
25 remaining concerns about its policy forms and product documents, the Commissioner may bring  
26 an administrative action against Allianz Life in accordance with the provisions of the Insurance  
27 Code.  
28

1           11. **TWO-TIERED BONUS ANNUITY PRODUCTS:** In its product documents,  
2 Allianz Life shall clearly, plainly and conspicuously disclose the terms of the premium bonuses  
3 it offers, including that the premium bonus accrues only to the annuitization value if that is in  
4 fact the case.

5           12. **REPLACEMENTS:** Allianz Life will require its appointed agents to compare the  
6 existing and replacing Annuity before selling a consumer a replacement Allianz Life Annuity.  
7 Allianz Life will require that its life agents comply with Insurance Code section 10509.8.

8           13. Allianz Life contends that the majority of the terms herein provide a remedy  
9 beyond that which could be awarded following hearing and exceed the requirements of  
10 California statutes and regulations.

11           14. Allianz Life acknowledges that the terms of the compromise will become a public  
12 record under California Government Code Section 11517(d), and that this Stipulation and  
13 Waiver and attached Exhibits A, B and C, and the Decision and Order issued pursuant thereto,  
14 are accessible to the public pursuant to the California Public Records Act, California  
15 Government Code Section 6250 et seq. Pursuant to California Insurance Code Sections 12938  
16 and 12968, the OSC, Stipulation and Waiver and attached Exhibits A-C, and Decision and Order  
17 will also be posted on the Department's internet web site.

18           15. Allianz Life acknowledges that, if it violates any of the terms or conditions of this  
19 Stipulation and Waiver, the Commissioner may bring disciplinary action against Allianz Life to  
20 enforce its terms in such manner as may be authorized by law.

21           16. Allianz Life may request that the Commissioner consent to a modification of this  
22 Stipulation and Waiver that does not harm consumers in the event of a change of circumstances,  
23 including any change that causes a requirement of this Stipulation and Waiver to put Allianz  
24 Life at a material competitive disadvantage in the industry.

25           17. Allianz Life acknowledges that California Insurance Code Section 12921 requires  
26 the Commissioner to approve the final settlement of this matter, and that both the settlement  
27 terms and conditions contained herein and the acceptance of those terms and conditions are  
28 contingent upon the Commissioner's personal approval.

1 Dated: December 27, 2007

2 ALLIANZ LIFE INSURANCE COMPANY OF  
3 NORTH AMERICA

4 By: 

5 Print Name:

CHARLES I. WIKELICOS

6 Title:

VICE PRESIDENT AND  
7 DEPUTY GENERAL  
8 COUNSEL

9 Dated: December 28, 2007

10 CALIFORNIA DEPARTMENT OF INSURANCE

11 By: 

12 Print Name:

JERRY L. WHITFIELD

13 Title:

ASSISTANT CHIEF COUNSEL

14  
15 27286443/v1

EXHIBIT "A"

# Financial Inventory

**Monthly Household\*  
Income**

Salary/Wages  
Social Security Payments  
Pension / Retirement  
Interest/Dividend Income<sup>1</sup>  
Rental Income  
Other

TOTAL INCOME	\$
--------------	----

\$

\$

## Monthly Household\* Expense

- Rent/Mortgage Payment
- Utilities
- Debt Repayment
- Transportation
- Food
- Health Care and Prescription
- Drugs
- Taxes<sup>2</sup>
- Dependent Support
- Charitable Donations
- Travel
- Other
- Insurance

TOTAL EXPENSE	\$
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3

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## DISPOSABLE INCOME

(Total Income Minus Total Expense)

**Household\* Net Worth**

(Do not include primary residence, personal belongings or personal property such as jewelry, furnishings and vehicles)

- Checking Accounts
- Savings Accounts and CDs
- Securities
- Non-Qualified Annuities
- Retirement Accounts
- Real Estate<sup>5</sup>
- Business Interests
- Other

## TOTAL ASSETS

**MINUS TOTAL LIABILITIES<sup>6</sup>**

## NET WORTH

\$

\$

## Household\* Liquid Assets

(Assets that can be easily converted to cash, without penalty. Do not include personal belongings or personal property such as jewelry, furnishings and vehicles)

Checking Accounts  
Savings Accounts  
Securities<sup>3</sup>  
Annuity Free Withdrawals<sup>4</sup>  
Other

\$

\$

TOTAL LIQUIDITY<sup>7</sup>

\* **Household** means applicant and spouse/partner, if a member of the applicant's household.

<sup>1</sup> Do not include income currently earned on money that will be used to purchase this annuity.

<sup>2</sup> Include property taxes, income and FICA taxes.

<sup>3</sup> Include mutual funds with no deferred sales charges

<sup>4</sup> Do not include free withdrawals from policy being applied for

<sup>5</sup> Do not include the value of primary residence

<sup>6</sup> Do not include the mortgage on primary residence

<sup>7</sup> Do not include the value of assets used to purchase this annuity



EXHIBIT "B"

## Exhibit B

### Revisions to Product Suitability Form

Allianz Life shall modify its Product Suitability Form to incorporate language substantially similar to the following:

- 1) Are you meeting monthly expenses with current monthly income?

*A "no" answer triggers Elevated Review.*

- 2) Do you anticipate any significant decrease in income or increase in expenses during the deferral period of the policy you are applying for?

*A "yes" answer triggers Elevated Review.*

- 3) After the purchase of this annuity, what is the total value (accumulation or annuitization value) of all annuities owned by the Applicant with Allianz Life or other companies?

*If the total value exceeds 75% of the Applicant's net worth, the application is submitted to Elevated Review.*

- 4) Are you currently residing in a nursing home or assisted living facility?

*Allianz Life will contact by telephone each Applicant answering "yes."*

EXHIBIT "C"

## Exhibit C

### SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release is made on the date last signed below between Allianz Life Insurance Company of North America ("Allianz Life"), 5701 Golden Hills Drive, Minneapolis, MN 55416, and [NNNNNNNNNN] ("[NAME]"), [ADDRESS].

### RECITALS

- A. Allianz Life issued Annuity Policy No. [XXXXXXX] (the "Policy") to [NAME] as owner of the Policy on \_\_\_\_\_, 200\_\_;
- B. Pursuant to the Claims Review Process established as the result of a settlement between the California Department of Insurance and Allianz Life, [NAME] has submitted a claim requesting a refund. Allianz Life is willing to cancel the Policy and refund [NAME] pursuant to the terms of the settlement with the California Department of Insurance and as a settlement with [NAME].

**WHEREFORE**, for good and valuable consideration, the sufficiency of which is acknowledged, the parties agree as follows:

- 1. Upon receipt of this Settlement Agreement and Release signed by [NAME], and in consideration for the provisions thereof, Allianz Life will rescind Policy [XXXXXXX], which will be deemed surrendered, terminated, null, void, and without force and effect as of that date and will either: (1) pay to [NAME] the sum of \$[ ] plus 3.0% interest [or interest as provided in the Stipulation and Waiver, whichever is greater] until the date this payment is made to [NAME] or; (2) transfer said amount to an account at \_\_\_\_\_, as specified by [NAME]. Payment shall be made to [NAME] as soon as possible after Allianz Life receives from [NAME] this signed Settlement Agreement and Release;
- 2. In exchange for the settlement and payment described in paragraph 1 above, [NAME] does hereby completely release and forever discharge Allianz Life and its successors, predecessors, heirs, assigns, officers, directors, employees, agents, affiliates and attorneys (hereinafter "Releasees"), from all manner of actions, causes of action, suits, liabilities, debts, sums of money, accounts, bonds, bills, notes, commitments, contracts, controversies, agreements, promises, judgments, claims and demands whatsoever, in law or in equity, known or unknown, which [NAME] ever had, now has or may have against Allianz Life and Releasees arising out of or relating to the issuance, sale, funding, administration, surrender, redemption, cancellation or rescission of Policy [XXXXXXX]; provided, however, that this Settlement Agreement and Release shall not in any way effect, impair or impede [NAME] from pursuing any rights that [NAME] has or may have in certified or putative class action lawsuits currently pending against Allianz, including but not limited to:

*Negrete v. Allianz* (C. D. Cal.);

*Healey v. Allianz* (C.D. Cal.);

*Castello v. Allianz* (Hennepin County District Court);

*Mooney v. Allianz* (District of Minnesota);

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*Iorio v. Asset Marketing Systems Inc. et al. (S.D. Cal.); and*  
*Jones v. Allianz (E.D. Ark.);*

3. With respect to the Policy, it is the intention of the parties that, subject to the terms and conditions of this Settlement Agreement and Release, [NAME] hereby expressly waives and relinquishes all claims against Releasees, and to the fullest extent permitted by law, the provisions, rights, and benefits of section 1542 of the California Civil Code, which provides:  
  
"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor,"  
  
and any and all provisions, rights, and benefits of any similar statute or law of California or of any other jurisdiction;
4. [NAME] further covenants and agrees that this Settlement Agreement and Release will be binding upon the successor trustees, administrators, beneficiaries, successors and assigns of [NAME];
5. [NAME] further covenants and agrees that [she/he] has read the terms of this Settlement Agreement and Release and has had the opportunity to discuss it with [her/his] attorney, and that [she/he] has voluntarily entered into this Settlement Agreement and Release solely in reliance on [her/his] own knowledge, belief and judgment and the advice of [her/his] counsel if such advice was obtained, and not in reliance on representations made by the parties released or by others on their behalf;
6. Allianz Life and Releasees deny any liability in connection with Policy [XXXXXXX] and/or the matters recited in or represented in this Settlement Agreement. This agreement shall never be considered an admission of the truth of the allegations, claims or contentions by any party;
7. It is further understood and agreed that no withholding of income taxes has been or will be made from any payment made by Allianz Life under this Settlement Agreement and Release, and that Allianz Life has made no representation regarding taxes or tax liability, if any, resulting from said payment. The responsibility to address any tax consequences of said payment is solely the responsibility of [NAME]. Further, [NAME] agrees that to the extent any tax liability may now or hereafter become due because of the payment made by Allianz Life, such liability will be the sole responsibility of [NAME], and [NAME], not Allianz Life or Releasees, shall pay taxes, penalties or interest, if any which may be determined to be due and payable;
8. This Settlement Agreement and Release may be executed in one or more counterparts, each of which shall be an original as against the party who signed it, but all of which shall constitute one and the same agreement;

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9. This Settlement Agreement and Release contains the entire agreement between the parties, and any statement not contained herein is not admissible to establish the basis of this settlement and release.

**IN WITNESS WHEREOF**, the parties hereto have caused this Settlement Agreement and Release to be duly executed.

\_\_\_\_\_  
[NAME] Dated: \_\_\_\_\_

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
NOTARY PUBLIC

**Allianz Life Insurance Company of  
North America**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_